

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 01601 01 OF 02 231058 Z

11

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 SSO-00 CCO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-02 INR-09

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-14 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

SAL-01 OMB-01 EA-11 RSR-01 INRE-00 /188 W

----- 000586

P 230745 Z MAR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASGDC PRIORITY 4917

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

USMISSION GENEVA PRIORITY

USMISSION OECD PARIS PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 1601

ECOTO 28

E. O. 11652: NA

TAGS: OCON, ETRD, EEC, US

SUBJECT: MARCH 21-22 US- EC CONSULTATIONS -- THE
PREFERENCES ISSUE

1. SUMMARY. DURINGTHE US- EC CONSULTATIONS THERE
WAS A LENGTHY DISCUSSION OF EC PREFERENTIAL TRADE
ARRANGEMENTS. BOTH SIDES REVIEWED THEIR ESTABLISHED
POSITIONS. UNDER SECRETARY CASEY OUTLINED THE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 01601 01 OF 02 231058 Z

POSSIBLE ELEMENTS OF A MODUS VIVENDI (EXPLAINED IN THIS MESSAGE) THAT WOULD FACILITATE REMOVAL OF REVERSE PREFERENCES WHILE PROTECTING SPECIFIC US TRADE INTERESTS IN CONNECTION WITH SPECIAL PREFERENCES AND TRYING TO MEET EC CONCERNS. THE COMMISSION STUCK TO ITS POSITION BUT EVIDENCED INTEREST IN THE US SUGGESTIONS AND AGREED TO FURTHER BILATERAL TALKS IN THE NEAR FUTURE. END SUMMARY.

2. MOST OF THE MORNING SESSION ON MARCH 22 WAS DEVOTED TO A REVIEW OF THE PREFERENCES ISSUE. COMMISSIONER DENIAU NOTED THAT THE TARIFF REDUCTIONS WHICH WOULD EMERGE FROM THE MULTILATERAL NEGOTIATIONS WOULD REDUCE THE BENEFITS OF GENERALIZED PREFERENCES TO DEVELOPING COUNTRIES. HE EXPRESSED A DESIRE TO EXTEND THE COVERAGE OF THE EC GPS TO INCLUDE CERTAIN PROCESSED AGRICULTURAL PRODUCTS. THIS WOULD BE IMPOSSIBLE, HOWEVER, UNLESS THE US INSTITUTES ITS OWN SYSTEM OF GENERALIZED PREFERENCES.

3. UNDER SECRETARY CASEY BRIEFLY DESCRIBED THE COOPERATIVE USG REVIEW OF OUR RELATIONS WITH THE LDCs. HE SAID THAT OUR OWN GENERALIZED PREFERENCES SYSTEM WILL BE INCLUDED IN THE FORTHCOMING TRADE BILL. AMBASSADOR EBERLE AND OTHER MEMBERS OF THE US DELEGATION DESCRIBED THE MAIN ELEMENTS OF THE US SCHEME. THEY NOTED THAT IT WILL PROBABLY HAVE SIMILAR PRODUCT COVERAGE TO THE EC AND JAPANESE SCHEMES BUT THAT RATHER THAN INCLUDING A SYSTEM OF QUOTAS IT WOULD BE BASED ON A COMPETITIVE NEED CONCEPT. UNDER THIS CONCEPT PROVISION WOULD BE MADE TO REMOVE BENEFICIARY STATUS FOR A GIVEN PRODUCT FROM A GIVEN COUNTRY WHEN IMPORTS FROM THAT COUNTRY EXCEEDED A CERTAIN VALUE OR PERCENTAGE OF US IMPORTS. LIKE THE EC THE US HOPES, ON A SELECTED BASIS, TO INCLUDE CERTAIN PROCESSED AGRICULTURAL PRODUCTS IN ITS SCHEME. FOR THE MOMENT, NO DECISION HAD BEEN MADE ON THE EXCLUSION OF ANY PARTICULAR PRODUCT. AMBASSADOR EBERLE POINTED OUT THAT THE LEGISLATION WOULD, HOWEVER, EXCLUDE FROM THE US SCHEME ANY DEVELOPING COUNTRY WHICH DISCRIMINATES AGAINST US EXPORTS.

4. UNDER SECRETARY CASEY DESCRIBED THE US POSITION ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 01601 01 OF 02 231058 Z

REVERSE PREFERENCES AS ONE OF PRINCIPLE. HE DIFFER-

ENTIATED THIS FROM THE SPECIAL PREFERENCES ISSUE WHERE THE US APPROACH MIGHT BE SOMEWHAT MORE PRAGMATIC. AS A MEANS TO OVERCOME DIFFERENCES BETWEEN THE US AND THE COMMUNITY ON THIS SUBJECT, HE PROPOSED THAT THE TWO SIDES TRY TO REACH A MODUS VIVENDI BASED ON ELEMENTS SUCH AS THE FOLLOWING:

- AN APPROPRIATE US COMMITMENT REGARDING A SYSTEM OF GENERALIZED PREFERENCES.

- AN ASSURANCE BY THE COMMUNITY THAT IT WILL NOT REQUIRE OR SEEK REVERSE PREFERENCES AS PART OF ITS TRADE ARRANGEMENTS WITH SPECIFIED LESS DEVELOPED COUNTRIES -- AND THAT IT WILL MAKE CLEAR TO THE COUNTRIES IN QUESTION THAT THE ABSENCE OF SUCH PREFERENCES WILL NOT REDUCE TRADE AND AID BENEFITS GRANTED TO THEM.

- AN UNDERSTANDING THAT THE COMMUNITY WILL NOT CONCLUDE NEW REFERENTIAL ARRANGMENTS WITH LESS DEVELOPED COUNTRIES BEYOND THOSE IN THE SPECIFIED LIST.

- AN UNDERSTANDING THAT THE US WILL NOT CHALLENGE IN GATT THE AGREEMENTS IN QUESTION ON THE GROUNDS THAT THEY ARE INCONSISTENT WITH ARTICLE XXIV. WE WOULD, OF COURSE, RESERVE OUR LEGAL RIGHTS IN OTHER RESPECTS.

- AN UNDERSTANDING THAT, WHERE THE REMAINING SPECIAL PREFERENCES CAUSE DIFFICULTIES FOR US TRADE INTERESTS, THE COMMUNITY WOULD BE PREPARED TO SEEK SOLUTIONS WITH US. WE BELIEVE THIS WOULD INVOLVE ONLY A LIMITED NUMBER OF COMMODITIES ALTHOUGH WE, ON OUR SIDE, MUST EXAMINE THIS ASPECT MORE CLOSELY. UNDER SECRETARY CASEY RECOGNIZED THAT NEITHER SIDE COULD MAKE A COMMITMENT ON THE SPOT BUT SUGGESTED THAT THE TWO SIDES AGREE TO MEET AGAIN SOON FOR A QUIET, INFORMAL EXAMINATION OF THE POSSIBILITIES OF A MODUS VIVENDI ON THE BASIS OF THE PRELIMINARY IDEAS OUTLINED ABOVE, THOSE DEVELOPED DURING THE CONSULTATION, AND ANY ADDITIONAL THOUGHTS EITHER SIDE MIGHT HAVE IN THE INTERIM.

5. DENIAU BEGAN BY CITING THE NEED TO CONSIDER THE IMPACT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 01601 01 OF 02 231058 Z

OF THE FORTHCOMING MULTILATERAL NEGOTIATIONS ON THE LDCE. HE SAID THAT GENERALIZED PREFERENCES ARE ONE MEANS OF ATTACKING THE PROBLEMS THAT WOULD BE CREATED. THE EC ALSO WISHES TO DO SOMETHING FOR THOSE LDCE WHICH HAVE SPECIAL TIES WITH THE COMMUNITY. HE REALIZED THAT

THIS CREAED TWO PROBLEMS FOR THE US -- REVERSE AND
SPECIAL PREFERENCES.
CASEY

LIMITED OFFICIAL USE

ADP000
LIMITED OFFICIAL USE

PAGE 01 EC BRU 01601 02 OF 02 231149 Z

11
ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 SSO-00 CCO-00 EA-11 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-02 INR-09

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-14 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

SAL-01 OMB-01 INRE-00 RSR-01 /188 W
----- 001025

P 230745 Z MAR 73
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC PRIORITY 4918
INFO AMEMBASSY BONN PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY DUBLIN PRIORITY
AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY LUXEMBOURG PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY ROME PRIORITY
USMISSION GENEVA PRIORITY
USMISSION OECD PARIS PRIORITY

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 1601

ECOTO 28

E. O. 11652: NA
TAGS: OCON, ETRD, EEC, US
SUBJECT: MARCH 21-22 US- EC CONSULTATIONS -- THE
PREFERENCES ISSUE

6. DENIAU VIEWED THE REVERSE PREFERENCES ISSUE AS NOT

OF MUCH ECONOMIC SIGNIFICANCE TO THE US BUT RATHER
OF POLITICAL AND PSYCHOLOGICAL SIGNIFICANCE. HE
CONSIDERED THAT IT COULD BE RESOLVED. THE EC DOES NOT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 01601 02 OF 02 231149 Z

SEEK TO BE TREATED BETTER THAN THE US IN LDC MARKETS
WITH WHICH IT HAS SPECIAL TIES NOR DOES IT NEED
RECIPROCITY FROM THE LDCS. THE COMMUNITY IS PREPARED TO
MAKE CLEAR TO THEM THAT IT HAS NO OBJECTION IF THEY
WISH TO NEGOTIATE WITH THE US OR OTHER DEVELOPED
COUNTRIES CONCESSIONS SIMILAR TO THOSE GRANTED THE
COMMUNITY. THE COUNTERPART MIGHT, FOR EXAMPLE, BE
INCLUSION IN THE US GPS OF PRODUCTS OF INTEREST TO THE
LDC IN QUESTION. SUCH ARRANGEMENTS NEGOTIATED WITH
THIRD COUNTRIES WOULD HAVE NO EFFECT EITHER UPON THE
SPECIAL PREFERENCES GRANTED BY THE EC OR THE AID OFFERED
BY THE COMMUNITY. THE COMMUNITY WOULD ACTIVELY
ENCOURAGE SUCH AN APPROACH.

7. DENIAU SAID THAT THE COMMUNITY HAD FOUND NO FORMULA
OTHER THAN A FREE TRADE ARRANGEMENT WHICH, UNDER GATT
RULES, WOULD ALLOW THE EC TO GRANT SPECIAL PREFERENCES
TO LDCS AND LEAVE THE LATTER FREE TO DEAL WITH OTHER
DEVELOPED COUNTRIES. HE ACKNOWLEDGED THAT THIS RAISED
THE QUESTION OF RECIPROCITY ON WHICH THE COMMUNITY
DID NOT INSIST PROVIDED LEGAL DIFFICULTIES COULD BE
OVERCOME.

8. DENIAU VIEWED SPECIAL PREFERENCES AS A MORE DIFFICULT
PROBLEM THAN REVERSE PREFERENCES. IN ORDER TO BE OF
INTEREST TO THE LDCS THE EC MUST MAKE CONCESSIONS ON
PRODUCTS WHICH COMPETE WITH EC PRODUCTION. THE EC IS
PREPARED TO EXTEND ADDITIONAL PREFERENTIAL TREATMENT
TO SOME LDCS PARTICULARLY THOSE IN THE LEAST DEVELOPED
CATEGORY. HOWEVER, IF SUCH CONCESSIONS COULD BE
CONSIDERED ONLY IN THE CONTEXT OF GENERALIZED
PREFERENCES THEN THE COMMUNITY WOULD BE FORCED TO
LIMIT ANY UNDERTAKING THAT IT MIGHT MAKE. FOR THIS
REASON THE COMMUNITY HAS SOUGHT TO COVER THE GRANTING
OF SPECIAL PREFERENCES TO A LIMITED NUMBER OF DEVELOPED
COUNTRIES UNDER THE FREE TRADE AREA CONCEPT OF THE GATT.

9. UNDER SECRETARY CASEY SAID THAT THE US RECOGNIZES
AND SUPPORTS THE COMMUNITY FEELING OF RESPONSIBILITY

TOWARDS ITS FORMER DEPENDENCIES. THE US PROPOSAL (PARA
FOUR ABOVE) REFLECTS THE RECOGNITION THAT SPECIAL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 01601 02 OF 02 23114

E E E E E E E

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU01601
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730335/aaaaidcr.tel
Line Count: 280
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 30 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30-Jul-2001 by willialc>; APPROVED <07-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 971218
Subject: MARCH 21-22 US- EC CONSULTATIONS -- THE PREFERENCES ISSUE
TAGS: ETRD, OCON, US, EEC
To: BONN
BRUSSELS
COPENHAGEN
DUBLIN
EUR
LONDON
LUXEMBOURG

SEC STATE
STATE
THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005